

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Pigeon District Library	County Huron
Audit Date June 30, 2004	Opinion Date September 8, 2004	Date Accountant Report Submitted to State: December 29, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government* in Michigan as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Nietzke & Faupel, PC			
Street Address 7274 Hartley Street	City Pigeon	State MI	ZIP 48755
Accountant Signature <i>Brian Hazen, CPA</i>			

**PIGEON DISTRICT LIBRARY  
PIGEON, MICHIGAN**

**FINANCIAL STATEMENTS  
JUNE 30, 2004**

## **PIGEON DISTRICT LIBRARY**

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees  
Pigeon District Library  
Pigeon, Michigan 48755

We have audited the accompanying financial statements of the governmental activities of the Pigeon District Library, Pigeon, Michigan, as of and for the years ended June 30, 2004 and 2003, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pigeon District Library's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the Pigeon District Library prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position - cash basis of the governmental activities of the Pigeon District Library, Pigeon, Michigan, as of June 30, 2004 and 2003, and the changes in financial position - cash basis, thereof for the years then ended in conformity with the basis of accounting described in Note 1.

*Nietzke & Faupel, PC*  
NIETZKE & FAUPEL, P.C.  
PIGEON, MICHIGAN

September 8, 2004

## **FINANCIAL STATEMENTS**

**PIGEON DISTRICT LIBRARY**  
**BALANCE SHEETS - CASH BASIS**  
**GOVERNMENTAL FUND**

	JUNE 30,	
	<u>2004</u>	<u>2003</u>
<b><u>ASSETS</u></b>		
Cash and deposits	\$ 158,100	\$156,888
Restricted assets:		
Cash-State Aid	6,235	
Cash-Capital Improvement	86,795	45,046
Cash-Furniture	7	7
Cash-LaVictorie Fund	1,335	3,832
<b>TOTAL ASSETS</b>	<u>\$ 252,472</u>	<u>\$205,773</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>		
<b><u>LIABILITIES:</u></b>		
Payroll taxes withheld	\$ 2,383	\$ 2,311
<b>TOTAL LIABILITIES</b>	<u>2,383</u>	<u>2,311</u>
<b><u>FUND EQUITY:</u></b>		
Fund balance:		
Reserved	94,372	48,885
Unreserved	155,717	154,577
<b>TOTAL FUND EQUITY</b>	250,089	203,462
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 252,472</u>	<u>\$205,773</u>

**PIGEON DISTRICT LIBRARY**

**STATEMENTS OF REVENUE, EXPENDITURES, AND  
CHANGE IN FUND BALANCE - CASH BASIS  
GOVERNMENTAL FUND**

	<b>YEARS ENDED JUNE 30,</b>	
	<b><u>2004</u></b>	<b><u>2003</u></b>
<b>REVENUE:</b>		
<b>Local sources:</b>		
Property taxes	\$ 142,892	\$ 139,881
Contributions from other local governments	5,725	6,625
Penal fines	36,467	65,332
Book fines	3,099	3,145
Donations	12,970	9,897
Memorials	520	958
Interest earned	1,874	2,912
Rentals	2,535	4,070
Copier	2,398	2,511
Video tape rentals	7,556	7,290
Miscellaneous	4,206	5,056
<b>State sources:</b>		
State aid	9,312	7,779
<b>TOTAL REVENUE</b>	<u>229,554</u>	<u>255,456</u>
<b>EXPENDITURES:</b>		
Wages	92,502	88,426
Utilities	11,291	11,222
Insurance	2,610	2,678
Repairs and maintenance	8,138	15,787
Enrichment program	698	592
Education	928	1,565
Supplies	4,482	4,518
Postage	891	887
Books and magazines	22,169	15,652
Professional fees	2,928	3,395
Payroll taxes	7,433	7,921
Employee benefits	4,849	2,968
Dues and memberships	4,330	4,358
Cleaning	2,256	2,257
Kitchen supplies	546	524
Miscellaneous	649	1,064
Book binding repairs		96
Video tapes	4,258	4,148
Advertising	358	458
Internet charges	660	1,129
90th Anniversary		616
Christmas decorations	363	492
Newspaper digitization	1,057	
Homebound program	792	
Daisy LaVictoire Trust		5,092
Furniture		6,359
Capital outlay	4,457	11,566
Technology	4,282	4,598
<b>TOTAL EXPENDITURES</b>	<u>182,927</u>	<u>198,368</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>46,627</u>	<u>57,088</u>
<b>FUND BALANCE - JULY 1</b>	203,462	146,374
<b>FUND BALANCE - JUNE 30</b>	<u>\$ 250,089</u>	<u>\$ 203,462</u>

The accompanying notes are an integral  
part of the financial statements.

**PIGEON DISTRICT LIBRARY**

**STATEMENT OF REVENUE, EXPENDITURES, AND  
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL -  
CASH BASIS  
GOVERNMENTAL FUND  
YEAR ENDED JUNE 30, 2004**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUE:</b>				
<b>Local sources:</b>				
Property taxes	\$ 130,500	\$ 130,500	\$ 142,892	\$ 12,392
Contributions from other local governments	4,325	4,325	5,725	1,400
Penal fines	30,000	30,000	36,467	6,467
Book fines	2,700	2,700	3,099	399
Donations	7,700	7,700	12,970	5,270
Memorials	900	900	520	(380)
Interest earned	2,500	2,500	1,874	(626)
Rentals	4,000	4,000	2,535	(1,465)
Copier	2,600	2,600	2,398	(202)
Video tape rentals	8,000	8,000	7,556	(444)
Miscellaneous	2,775	2,775	4,206	1,431
<b>State sources:</b>				
State aid	10,000	10,000	9,312	(688)
<b>TOTAL REVENUE</b>	<u>206,000</u>	<u>206,000</u>	<u>229,554</u>	<u>23,554</u>
<b>EXPENDITURES:</b>				
Wages	95,162	95,162	92,502	2,660
Utilities	12,600	12,600	11,291	1,309
Insurance	3,500	3,500	2,610	890
Repairs and maintenance	13,300	13,300	8,138	5,162
Enrichment program	700	700	698	2
Education	1,000	1,000	928	72
Supplies	4,000	4,482	4,482	-
Postage	900	900	891	9
Books and magazines	22,300	22,300	22,169	131
Professional fees	3,200	3,200	2,928	272
Payroll taxes	9,000	9,000	7,433	1,567
Employee benefits	5,475	5,475	4,849	626
Dues and memberships	4,500	4,500	4,330	170
Cleaning	2,500	2,500	2,256	244
Kitchen supplies	550	550	546	4
Miscellaneous	800	800	649	151
Book binding repairs	200	200		200
Video tapes	4,500	4,500	4,258	242
Advertising	400	400	358	42
Internet charges	700	700	660	40
Christmas decorations	550	550	363	187
Newspaper digitization	2,500	2,018	1,057	961
Homebound program	1,000	1,000	792	208
Equipment	7,500	7,500	4,457	3,043
Technology	4,500	4,500	4,282	218
<b>TOTAL EXPENDITURES</b>	<u>201,337</u>	<u>201,337</u>	<u>182,927</u>	<u>18,410</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>4,663</u>	<u>4,663</u>	<u>46,627</u>	<u>41,964</u>
<b>FUND BALANCE - JULY 1</b>	<u>203,462</u>	<u>203,462</u>	<u>203,462</u>	
<b>FUND BALANCE - JUNE 30</b>	<u>\$ 208,125</u>	<u>\$ 208,125</u>	<u>\$ 250,089</u>	<u>\$ 41,964</u>

The accompanying notes are an integral  
part of the financial statements.



## **PIGEON DISTRICT LIBRARY**

### **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

##### **Reporting Entity**

In evaluating how to define the Pigeon District Library for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Library is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no component units that should be included in the Library's reporting entity.

##### **Fund Accounting**

The accounts of the Library are organized into one general operating fund. The operations of the Library are accounted for in a separate set of self-balancing accounts which are comprised of the Library's assets, liabilities, fund equity, revenue and expenditures. The fund of Pigeon District Library is categorized as follows:

##### **Governmental Fund Type**

General Fund - The General Fund is the general operating fund of the Library. It is used to account for all financial resources of the Library.

##### **Basis of Accounting**

Basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The General Fund of the Library is accounted for by using the cash basis of accounting. Under the cash basis of accounting, revenue is recognized when received and expenditures are recognized when the disbursement of cash is made. The cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles for governmental units. These financial statements are, therefore, not presented in accordance with generally accepted accounting principles.

##### **Budgets**

Formal budgetary integration is employed as a management control device during the year for the General Fund. The budget is prepared on the cash basis of accounting, as explained above, and is consistent with the preparation of the financial statements.

The Board of Trustees prepares the budget on a line item basis. Any revisions that alter any line item appropriation must be approved by the Board of Trustees. Therefore, the level of budgetary responsibility is at the line item level.

(Continued)

## PIGEON DISTRICT LIBRARY

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

Unused appropriations lapse at the end of the year.

On June 24, 2004, the Board of Trustees amended the budget of the Library. The budget amendment did not change the total appropriations for the year ended June 30, 2004, but altered certain line item appropriations. The final amended budget is presented on page 5.

#### **NOTE 2 - CASH AND DEPOSITS:**

At June 30, 2004 and 2003, the carrying amount of the Library's deposits (checking and savings) were \$252,423 and \$205,722, respectively and the bank balances were \$253,316 and \$206,821, respectively. All but \$24,366 of the deposits with financial institutions are insured by the FDIC.

The carrying amount of the Library's deposits at June 30, 2004 and 2003, of \$252,423 and \$205,722 include restricted funds totaling \$94,372 and \$48,885, respectively. The funds are restricted for the following purposes:

	<b>JUNE 30,</b>	
	<b><u>2004</u></b>	<b><u>2003</u></b>
State aid funds to be used only for the purchase of circulation materials	\$ 6,235	
Furniture Fund	7	\$ 7
Capital improvements	86,795	45,046
Daisy LaVictorie Fund	1,335	3,832
<b>Total restricted cash</b>	<b><u>\$94,372</u></b>	<b><u>\$48,885</u></b>

Fund equity has been reserved at June 30, 2004 and 2003, for the amount of restricted cash as detailed above.

#### **NOTE 3 - RELATED PARTY TRANSACTIONS:**

The members of the Board of Trustees are appointed by the townships and village of the legal service area of the Library and include the following local units of government: Chandler Township, McKinley Township, Winsor Township, and the Village of Pigeon, all of which are in Huron County, Michigan. These local units of government also provide revenue to the Pigeon District Library in the form of property taxes. For the year ended June 30, 2004 and 2003, total revenue received from the legal service area amounted to \$142,892 and \$139,881, respectively.